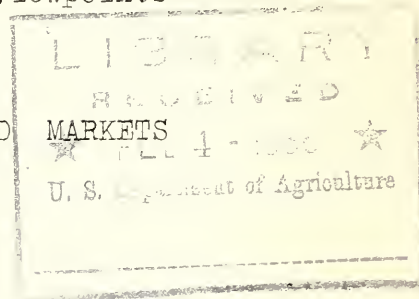


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Publication Extracts Which Present Diversified Viewpoints
On The Question.

SHOULD AMERICAN AGRICULTURE SEEK RECOVERY OF WORLD
OR ARRANGE TO LIVE AT HOME?



Discussion Series C.--No. 3

-----Introductory Note-----

The publication extracts brought together in this form represent an effort to provide assistance for organizations and individuals in conducting county and other forums on questions of interest to rural people. They will be helpful particularly to persons preparing to present or take part in forum discussion.

U. S. Department of Agriculture

The Extension Service and the
Agricultural Adjustment Administration, Cooperating

Washington, D.C.

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Facts Clouded by Headlines: Editorial, Texas Weekly

"A serious situation is developing as a result of our failure to do anything of importance to restore our export trade and of our persistence in policies which tend to retard recovery of world trade. With the exception of the low points reached in the total of our exports during the first six months of 1932 and 1933, the export total for the first half of 1935 is the lowest during the first half of any year since 1911. And there were thirty million less people in the United States in 1911 than there are today. The value of our exports during the first half of 1935 was equivalent to only 39 percent of the value of our exports during the first half of 1929. If it be thought that 1929 was too much the "peak" to make the comparison pertinent, then be it noted that our exports for the first half of 1935 were valued at less than 44 percent of the total of our exports for the corresponding period in 1925. And there is no sign of early improvement ahead. Inasmuch as we are convinced that we shall have no real recovery in the United States, recovery in the sense of normal employment in all lines and normal crops profitably marketed, until export trade is restored, this seems to us to be a serious situation. However, the American people would never suspect this from the headlines in the newspapers over the dispatches giving figures on our trade for June. The New York Times, for example, proclaims: "June Exports Up; Now Top Imports". The New York Herald-Tribune headline reads: "June Exports \$170,193,000, 3 Months' High". And the New York World-Telegram puts it this way: "Export Surplus of \$13,473,000 Shown for June". The headline over the dispatch in the New York Sun reads: "Trade Balance Again Favorable--Exports Exceed Imports in June Over May", and the New York Journal of Commerce gives the story an individual twist by announcing: "U. S. Exports Touch New High Since 1931 in Last Fiscal Year". Most people read only the headlines on such dispatches, and all of these give the impression that our export trade is forging right ahead toward full recovery. These headlines are characteristic of those of the newspapers of the country generally. Their whole purport is that American export trade improved in June and that our foreign commerce is being restored. Here and there an exception may be noted. The Wall Street Journal, for example, heads its account of our June trade as follows: "U. S. Exports in June Hold at 1934 Level While Imports Gain--Raw Cotton Shipments From This Country Total \$23,380,000. Off \$6,181,000 From Last Year." But this is a special case. The headlines which the average man saw told a different story and gave him no hint that our export trade is lagging. With such a serious situation persisting it seems to us to be undesirable, to say the least, that it is kept from the knowledge of the people in this way.

"Not only headlines are to be blamed in this instance, however, for the dispatches themselves largely justify the headlines. Even the careful reader who looks below the headlines is left without a suspicion that it is otherwise than well with our export trade, so far as these dispatches are concerned. All of them play up the fact that the balance of trade was "favorable" in June, that exports exceeded imports, for the first time in three months, as though that were something about which to feel gratified. And most of them contain this choice sentence: "In contrast with the usual seasonal decline of 5 percent from May to June, exports were 3 percent higher." The Associated Press attributes this statement to the Department of Commerce's monthly foreign trade report. What is meant by "usual seasonal decline from May to June" is a mystery to us, because both in 1934 and 1933 the exports for June not only were greater than those of May, but the increase

in both cases was greater than that recorded this year. June exports this year were \$4,736,000 more than those of May, but last year June exports were \$10,312,000 more than those of May, and the year before that June exports were \$5,588,000 more than those of May. There really is no great significance in comparisons between different months of the same year, but when such comparisons are made they ought not to give an impression which is opposite to the truth. The significant comparison always is with the corresponding month of the previous year, and June exports were a little less than those of June a year ago. Another prize statement in these dispatches is to the effect that "an increase of \$4,074,000 in raw cotton exports accounted largely for the export gain". This is especially misleading, because cotton exports for June not only were \$6,000,000 less in value than those of June a year ago, but their value was less than that of the cotton exports for any June in more than thirty years! The reference to the increase in June over May is not actually a false statement, but it certainly gives the reader a false impression, especially when prefaced with that observation about "the usual seasonal decline from May to June". It says in effect that the usual seasonal decline was converted into an advance by an increase in the value of cotton exports.

"Facts Which Must Be Faced"

Editorial Texas Weekly

August 3, 1935

Home Market Is Too Small: Theodore W. Schultz

"Before the price collapse in 1930, more than 10 percent of the production of the corn belt entered foreign commerce. That is, from 1925 to 1929, virtually 158 million acres of crop land were devoted yearly to the four basic feed crops. Of this acreage, it is estimated, that exports of feed and livestock products were equivalent to 17 million acres. Accordingly, it may be said that the corn belt is 10 percent too large to fit the home market.

"Seventeen million acres represents decidedly more crop land than there is in either Ohio or Indiana. In order to shrink to a domestic basis, it would mean, roughly, taking out of feed grains an area equivalent in size to the crop land now in Illinois, our second leading corn-belt state.

"But foreign markets for corn-belt products are not closed. However, it must be stressed that the general adverse pressure of our foreign trade policy is in the direction of closing the export doors; and its consequences are being keenly felt by all domestic producers dependent upon foreign sales.

"Lard, however, is by far the most important export product originating in the corn belt. In fact, it is through lard that this region ties into world markets. Much American lard is still purchased by housewives in other countries—certainly in England. Nor does lard face serious competition from other lard-producing areas; the corn belt continues to enjoy a partial monopoly of the international sales of lard, in spite of the fact that other cooking fats, often referred to as lard substitutes, are giving lard much competition.

"While the world trade position of American lard, in many ways, is unique, all of these advantages can, and, to a large measure, are now being sacrificed in overcoming the adverse economic pressure that is occasioned by our general policy of economic isolation. Again, looking at the home market, one thing is sure--the American housewife does not want to use all of the lard that is annually rendered from domestic hog fat. Thus, we face three possibilities: sell abroad, shift or shrink.

"The American people do not want as much bread as can be made from the harvest of our wheat belt. If they had more purchasing power, and thus could afford a better diet, they would probably consume less bread. This declining demand for cereals has been general since the war. Thus, if the present acreage is maintained, a considerable part of the wheat crop must either be fed to livestock or sold to grain merchants, millers and bakers in other countries. At best, American wheat producers are in a weak bargaining position in world trade due to strength of other recently developed wheat-growing regions.

"While the wheat growers had a home market for over 70 percent of their crop, cotton farmers, made up of plantation owners, owner operators, poor white and negro tenants, from 1925 to 1929 found the home market taking less than 45 percent of their production. It is hard, therefore, to overemphasize the importance of our foreign trade policy in its bearing on the competitive position of the 'cotton' south. Since most of the cotton crop is usually sold to Japanese, German, English, French and Italian textile makers, their ability to obtain dollar exchange is closely related to the well-being of southern states. Nor is it amiss to call attention to the political fact that the political sentiment of the cotton belt never has supported America's national policy of maximum restrictions on incoming foreign trade. They have always viewed this policy as a direct burden on their economy--correctly so.

"To what extent, then, is American agriculture dependent upon world markets? We summarize: In the non-food group--chiefly cotton, tobacco, wool, flaxseed, mohair and broomcorn--the products equivalent to 29 out of 66 million acres devoted to these crops were sold abroad. This is close to 45 percent of the total. In the food group, including all crop land used to produce cereals, livestock products, dairy and poultry products, vegetables, fruit and nuts and lesser food crops, the total acreage was 303 million. The equivalent of 32 million crop acres, a little over 10 percent of the food group, were exported.

"A realistic view of the facts forces us to the conclusion, whether we wish it or not, that American agriculture is still dependent upon foreign buyers.

"We see that the farmers who produce foods and raw materials in excess of the domestic demand hold the key to American farm prosperity. They, as it were, set the tempo of our agricultural well-being. When foreign markets for cotton, wheat, lard, tobacco and fruits drop off, it is only a matter of time until the resulting low prices force farmers growing these commodities to shift into dairying and poultry. The effect of this readjustment is to increase their production. While it may be true that the hog farmers, and most certainly the wheat producers, dislike to milk cows, yet they soon add a few more to their herd.

The farm flock of hens is quickly increased and also better cared for than formerly. This is true, whether low prices strike the corn or cotton belt, the wheat belt or the fruit farms of the far west.

"The home market, so dramatically portrayed by Henry Clay, is too small, in spite of the phenomenal growth of our cities, to absorb all of the production of agriculture. Specifically, during the period from 1925 to 1929 crop and animal products equivalent to 60 million acres of crop land were exported. It can be concluded, therefore, that with the uses that are at present being made of our agricultural resources and under the prevailing price-and-profit system, most farmers in America must continue to sell a part of their produce abroad or face wide-spread liquidation. The extent to which this liquidation can go, together with some of its consequences, are fairly evident; the recent tragic financial experience of farm families in the corn, cotton and wheat belts is still too vivid to need restatement.

"To recapitulate: Farm depression spreads. Farmers who have lost foreign outlets turn to products that have a home market. Soon these, too, are burdened with excessive supplies and low prices. Under a self-sufficient national policy, our cities must absorb either the surplus farm products or the farmers who produce them."

"Vanishing Farm Markets And Our World Trade"

Theodore W. Schultz
World Peace Foundation

The Choices From Our Present Situation: Ryllis Alexander Goslin

"The present policy is one of uncertainty and compromise. On the one hand Secretary Hull has been trying to carry out a new tariff program, reducing tariff rates whenever trade agreements could be worked out with another country. This program has moved very slowly, both because of strong opposition here at home and because it has been hard to get the cooperation of other nations.

"On the other hand, we are still following the advice of the nationalists. We are protected with a high tariff wall. Only 10 percent of our imports compete with American-made products. Moreover, the farms have been piling up large surpluses. So the Department of Agriculture has been cutting down on the production of farm products. This policy was adopted as a temporary measure, but conditions in the world market seem to make it necessary to continue it for the immediate future. Such a policy is expensive and not very satisfactory from the point of view of either the consumer or the producer. Processing taxes for the farm control program have already cost the American consumers over 750 million dollars. The high tariff tends to raise prices unnecessarily in many cases. It has been estimated that the tariff on sugar alone has cost the American people \$184,200,000. And there is still overproduction in agriculture, unemployment in industry, and confusion about prices.

"If we are to avoid further drifting, we must make up our minds which policy we really wish to follow and then begin to make the necessary adjustments.

Our immediate choice is limited somewhat by present difficulties with regard to world trade. But there are certain policies which we can approve or disapprove at the moment, and there are goals which we can set up and work toward for the future.

"If we decide that economic nationalism is wiser, we will urge that our present high tariff be continued. We will ask that the farm control program be continued and expanded. We will favor embargoes and quotas that will serve to protect American industry both from foreign competition and from being involved in difficulty and even war abroad.

"If, on the other hand, we decide in favor of internationalism, we may select one or the other of two policies. We will endorse the efforts of Secretary Hull in his attempt to work out trade agreements with other countries and thus lower tariffs and open up foreign markets. Or we may urge a policy of trade at any price, in the belief that the United States can keep its stake in world markets only by adopting the same aggressive tactics followed by our competitors in other countries. In this case we will approve loaning more money abroad and drop the Hull policy of giving all countries fair and equal treatment. We will discriminate against certain countries when it is to our advantage. And we will adopt subsidies to encourage and assist our export trade. Furthermore, we will stand ready to supply the needs of any nation at war, regardless of neutrality legislation or League sanctions. In other words, we shall be among those who believe that America should not give up its traditional freedom of the seas and that the army and navy should protect our citizens and trade abroad.

"Since our immediate choice is so limited, it may be well for us to take a longer look ahead and think in terms of more fundamental changes.

"If we decide that isolation is the wiser course for us to follow, we could avoid limiting our crop production or shutting down our factories by increasing the purchasing power of our own people so as to make use of all we could produce. Extensive studies have been made by our Department of Agriculture which show that if all the American people enjoyed a healthy and liberal diet with plenty of fruit and vegetables, our farmers would not need to worry about foreign trade. They would be busy raising as much as possible on all the available acres. In the same way, our entire cotton crop could be used to make clothes, our factories could be kept running, and all our men could be employed in the production of goods for the American people. While millions of our own people lack food, clothing and many other things they need, it is strange to destroy crops and let factories stand idle.

"If we look to a future of increasing foreign trade, we may have to work toward a system of world planning. Many internationalists agree, therefore, that in order to work toward a world plan of production and trade, we may first have to develop a national plan of production and distribution. Then we, as a nation, would be able to bargain with other countries in the exchange of certain goods. Under such a world plan nations would produce and export only those goods which they could produce most efficiently, and in turn would import the specialties of other nations. Access to raw materials and territory would be provided on the

basis of need. In this way goods would be produced most cheaply, the needs of people would be satisfied, all countries would be as productive as possible, and total wealth would be increased. Such a plan would mean cooperation instead of competition."

"Made in U.S.A."

Ryllis Alexander Goslin

Headline Book No.2

The Foreign Policy Association 1935

Realities of the Situation: Henry A. Wallace

"It is a discouraging fact that we have not yet learned how a mature creditor nation must behave. Five years of depression have not convinced us, apparently, that there is any relationship between foreign trade and national welfare. Individuals, industries, even whole localities and regions whose very life depends upon the restoration of foreign trade, have thus far failed to grasp the true realities of the situation. If they do not become aware of their true interests, the contest will go by default, and it will go one-hundred percent against them.

"Foreign trade means bread and butter to millions of people in this country. Relatively few of them seem to realize it. The cotton farmer may know very well that perhaps half his production will be sold abroad, but the railroad employee may not give much thought to the fact that he derives part of his earnings from moving these export and import products. That part of the cargo from our farms, factories, mines and forests which enters into export trade must move by rail, or truck or steamer to one of our port cities and in moving creates employment for thousands of people engaged in transportation, and for the people engaged in manufacture of transportation equipment, in producing coal or oil, or in selling merchandise to the workers. About 10 percent of the workers of this country are in the transportation and communication business. Moreover, it must be remembered that such cargo, after arrival at the port, furnishes livelihood for clerks in export houses, for stevedores, insurance men and brokers, bankers, sailors and all the other people dependent on shipping."

"Identities Of Interest In Restoring Foreign Trade"

Address--Henry A. Wallace

The Theory of Trade Has Shifted: B.K. Madan

"The classical doctrine of international trade regarded it simply as the international form of the division of labour.....

"Simply stated, the principle avers that each country would devote its limited supply of productive factors in lines in which it had the greatest comparative advantage or the least relative disadvantage and import in exchange for these products other goods in the production of which it enjoyed the least relative advantage or suffered under the greatest comparative disadvantage. Such distribution of economic activities in accordance with the principle of relative advantage would enable the sum total of wealth produced in the world as a whole to be maximised.

"Under the influence of the theory a special type of territorial specialization developed. The world was split up broadly into two classes of countries--the one mainly manufacturing and the other producing food-stuffs and raw materials. Manufacturing industry was concentrated in the small portion of the globe covering Great Britain and to a lesser extent western Europe and a dense population dependent on such industrial activity was sustained by the supply of agricultural products from the countries of other continents and the tropics. The character and the course of international trade were largely regulated by the fundamental nature of this division of economic activity as between the distinctly manufacturing and agricultural regions of the world.

"As the nineteenth century wore on, however, the basic assumptions of the old doctrine and the orthodox policy resting upon it as well as the old world order ceased to hold with equal force. . . Governments everywhere were intervening to an increasing extent and in an increasing variety of ways in the domain of economic life--regularising and canalising the operation of economic tendencies with a view not to the attainment of any such abstract end as the maximum sum total of the world's wealth, but the much more real and to them more practical object of the greatest national welfare. In other words, as the State assumed an increasingly important role as an instrument of economic activity, the end governing the employment of productive resources and energies also began to be tempered by considerations of national interest as apart from mere individual profit."

"The Theory And Problems Of International Trade"

B. K. Madan

Indian Journal of Economics -- April 1935

World Trade Will Continue: Commission of Inquiry into national policy in international economic relations: Robert Hutchins, Pres. Univ. of Chicago; Carl L. Alsberg, Stanford Univ.; Isiah Bowman National Research Council; Guy Ford, Grad. School Univ. of Minnesota; Beardsley Rummel, Treasurer, R. H. Macy Co.; Alfred Stone, Mississippi Tax Commission; Alvin H. Hansen, Univ. of Minnesota.

"We must be cautious, therefore, in forecasting the future of world trade. We are not justified in assuming that because trade has decreased it must continue to dwindle and ultimately become a mere exchange of a few essential raw materials. The truth is that the volume of goods being exchanged between nations has declined comparatively little; it is the money value of these goods that has dropped.***

"Nor are we justified in assuming that world trade must ultimately be limited to a few raw materials because undeveloped countries are striving to industrialize and some may ultimately succeed. It is true, for example, that China formerly imported a large volume of cigarettes from America and then imported cigarette-making machinery till at present the importation of tobacco is replacing the importation of cigarettes. Such shifts from the importation of manufactures to the importation of raw materials will no doubt continue, but the trade of the world no longer consists overwhelmingly in the importation of raw materials and foodstuffs by industrialized countries and the exportation by them of manufactured goods. Indeed, the trend of trade has been away from an exchange of raw materials for manufactured products; it is coming more and more to involve an exchange of merchandise which is apparently alike but which differs materially in

kind or type. It is premised upon mass production methods, which when successfully employed require large volume outlets. Even when different communities or countries appear to manufacture the same product, concentration upon certain styles and grades results because it makes possible the best utilization of mass production methods and low-cost operation. Thus before the war distorted condition the best customers of industrialized countries were industrialized countries. For example, England was one of Germany's best customers and Germany was one of England's best.

"A rich nation, like the United States, will not content itself with the importation of a few essential raw materials like rubber, coffee, tea, silk, nickel and tin. Whether or not more or less satisfactory substitutes are available Americans will insist on having the genuine articles. This will certainly prove true of many luxury goods and of all articles that lend themselves to conspicuous consumption. Thus people will insist on having real gems. They do and will continue to demand genuine rubies and sapphires though the artificial stones are chemically and crystallographically identical. So long as they are able to buy the genuine they will not accept imitations or substitutes for a large variety of articles. They will continue to demand a multitude of things we are certain for many years to find it difficult, inconvenient, or costly to produce. We need only make mention of drugs derived from tropical plants like quinine, cocaine, and ipecac; of tropical spices and flavoring materials like pepper, cloves, mace, allspice, vanilla, and ginger; of certain tropical woods like teak, mahogany, and ebony; of certain hides, skins, and furs derived from animals neither indigenous to nor domesticated in the United States; of works of art; of handicraft products like Oriental and Chinese rugs, hand-made laces, and hand embroideries; of precious stones like diamonds, rubies, emeralds, and sapphires not found in appreciable volume in the United States; of unmanufactured rattan and bamboo; of foreign language books, maps, and prints; of nickel and cobalt; of platinum essential in our laboratories and in our chemical and electrical industries; of kauri, copal, and lac for varnishes; of chicle, tragacanth, and kadaya gums; of special foods like Brazil and cashew nuts, smoked sturgeon, bananas, limes and lime juice, special types of cheeses not produced in the United States, and out-of-season fruits from the antipodes; of many types of tanning material (e.g., quebrachio and mangrove) to supplement our dwindling supplies of oak bark, and tanning extracts from our vanishing chestnut and hemlock forests; of sisal, Manila Hemp, and other tropical fibers. Of many of the goods of the types that will for a long time continue to be in demand no large volumes or values are or will be imported, but the total aggregate of their values mounts up.

"Furthermore, we have now in foreign lands about 1,500 branch factories. If the profits earned by these plants are to be enjoyed by the American stockholders of the present concerns, dividends must be brought in in the form of imported goods, or gold. If such importation is prevented, the profits will accumulate abroad and the plants might as well be given away or junked so far as any benefit to American investors is concerned. If the plants are sold the proceeds must be brought in as goods or gold. If this is made difficult the factories will pass very rapidly into the hands of local capitalists, a tendency that is already marked.

"One thing we may accept as certain: It is that in the long run there will continue to be a considerable volume of world trade. It is clear that America will continue to import much from abroad."

Report of Economic Commission
International Economic Relations (Reprints Obtainable)
University of Minnesota Press, 1934

Why The Decline of American Farm Exports: T.W. Schultz

"A study of the international account book of America will show why the prevailing adverse pressure on exports is likely to result in a fundamental change in the crop and animal pattern of domestic agriculture, unless America's foreign commercial policy is altered materially.

"Today, most European countries are trying to produce as much of their own food as possible. Everywhere, and in an endless number of ways, the peasant of Europe is being subsidized. Apparently, quite regardless of cost, the tendency is distinctly and unmistakably toward self-sufficiency, even though it means going back to diets of black bread, potatoes and little if any meat and fruit. The standard of living is being gradually lowered. This situation is markedly different from the pre-war interchange of foodstuffs and industrial wares, when the leading food deficit countries willingly accepted and found it relatively easy to obtain dollar exchange with which to buy our exportable farm surplus.

"Why has all this changed? The inability of debtor countries to make payments in merchandise due to increasing tariffs has been one of the dominant factors underlying the disruption of international commerce.

"In considering the foreign trade policy of the United States and its unfavorable effects on American farm exports, it is not intended to minimize other factors that also have contributed to the dislocation of international prices and trade. It is rather to focus attention on the fundamental and most important aspect of the problem here in America.

"In any full treatment of the rapid post-war decline in agricultural exports, it would be necessary to consider and weigh: (1) The recovery of European agriculture after the war; (2) the expansion of production abroad of hogs in Denmark and Germany, of wheat acreage in Canada and Australia and the return of Russia as an exporter of foodstuffs; (3) the increase of agricultural production due to technological developments, especially that of the internal gas-combustion engine and its replacement of horses and mules, thus releasing large quantities of feed for milk and meat animals, and of the grain combine, with the resultant rapid expansion of wheat acreage in certain semi-arid region of the United States, Canada and Australia; and (4) the relative decline in the demand for cereals."

"Vanishing Farm Markets And Our World Trade"
T. W. Schultz
Publication by World Peace Foundation

Special Form of Economic Nationalism: Cordell Hull

"As I have indicated, the war and post-war development of economic nationalism was one of the major fundamental causes of the drastic fall in commodity prices, and this calamitous decline in prices and in production in turn tremendously reinforced and strengthened the trend toward economic nationalism, so we have now reached a point in which the barriers to world trade are no longer chiefly high tariff walls. Extreme nationalism, if persisted in, is destined soon to wreck our entire structure of western civilization.

"The current obstructions to international trade have taken on forms not wholly new but multiplied and developed with amazing ingenuity in numberless directions. We are now confronted with the close regimentation and intricate control of imports by means of quotas, import licenses, exchange control, governmental monopolies and control boards. The international price structure is no longer functioning. Many countries, unable through the automatic adjustment of the price system to achieve an equilibrium in their balance of payments, are struggling desperately to achieve a balance by seizing control directly of the quantity of imports which may be admitted.

"This extraordinary special form which economic nationalism has assumed in recent years has shifted the currents of trade from its more normal and established channels. The quantitative regulation of foreign trade has resulted in the arbitrary diversion of trade from one country to another. A strenuous effort is being made in many countries to bring their international accounts into equilibrium by the process of achieving a bilateral balance between themselves and each separate country. This particular trend of present-day economic nationalism is a reversion to the crudest and worst form of mercantilism which preceded the introduction of the regime of liberal commercial policy in the period of modern industrialism. It is an intensified form of arbitrary interference with freedom of enterprise, and with the operation of the productive process under the guidance of the price system.

"Such regimentation of foreign trade inevitably forces the country that pursues these policies into an extension of internal control over its domestic industries. It leads to classification of imports according to need and to the allotment of raw materials to the various domestic industries on a priority basis. In the final analysis, therefore, it drives inevitably in an ever-widening circle to the regimentation of the whole system of production and ultimately to a regulation of consumption. If production is forced into abnormal channels by the control of imports, the consumption of the population is thereby necessarily in part predetermined.

"The rapidity with which these controls are being introduced is a serious disturbing factor in the current industrial situation and a serious obstacle to recovery. The world confronts anew each day fresh interferences with foreign trade. The disruption of economic life consequent thereto spreads in cumulative fashion from industry to industry, and creates new uncertainties which destroy the spirit of enterprise without which substantial revival is impossible.

"If this tendency cannot be halted, if we do not succeed in reversing the trend toward more liberal world-wide commercial policy, it appears certain that the

progress toward economic recovery will stop far short of the goal of full employment, or a recovery of pre-depression standards of living. If the trend toward this intensified regimentation and control of foreign commerce, and the close bilateral balancing of trade is not checked, the world economic system will be forced over a period of years to make a violent structural shift in international division of labor. During this transition, economic conditions will necessarily be seriously disturbed. When, at last, this structural adjustment has been made, the inevitable result will be a materially lower standard of living than might have been achieved under a liberal commercial policy."

"International Trade"
Honorab!e Cordell Hull
Address: World Trade Dinner, Nov. 1, 1934

Advantages of Division of Labor Persist: B.K. Madan

"The crux of the dilemma of international trade then lies in a conflict of two opposing tendencies, both of which have been carried to unprecedented extremes on the one hand, a growing net work of international financial relations and the enormous burden of international governmental and private debt which looks logically towards a freer movement of goods; and on the other hand the directly contrary trend of actual events. The motive of this actual trend affords the clue to the closely allied central problem of commercial policy in the post-war world which awaits solution: the imperative need of harmonising some measure of stability of economic and social organization (which implies regulation of international trade) with the urgent necessity of securing and maintaining the undoubted advantages of specialisation based on the doctrine of the territorial division of labour as well as preserving the already intricate net work of international finance (which implies the restoration of a much greater measure of freedom to international trade than it enjoys at present).

"A via media must perforce be sought if the dire consequences of either extreme of complete isolation or unlimited competition are to be avoided. It is idle to hope that the state of affairs in which the economy of a particular country was freely dovetailed in its various aspects with the economies of several others can return in its old form in the near foreseeable future. On the other hand, the advantages of division of labour do not belong to any particular epoch of economic history in the past. They persist. The pattern of world specialisation may be rearranged--the economic structure of agricultural countries may be more and more industrialised, and industrial countries may push forward the process of agricultural development within their borders,--the essential kernel of truth in the classical doctrine remains nevertheless, unaffected. It outlasts all these vast transformations. The form of international division of labour may undergo a radical change, the character and the composition of international trade may be greatly altered, the mechanism of the working of specialization may be vastly modified, international trade may cease to be carried on by a number of free individuals jostling one another in unlimited competition and rivalry and reduced to an organised system of interchange of goods and services between planned national units--nevertheless, the benefits of the distribution of economic activities among different territorial units according to their several equipment will remain."

"The Theory And Problems Of International Trade"

No Reason To Jeopardize Domestic Market: T. C. Tucker

"Certainly on the basis of Percentages alone there is not and never has been any sound reason for jeopardizing the domestic market for our home produced commodities in favor of foreign imports.

"At the very best the foreign outlet for our commodities has never been greater than ten percent of the total market available to them."

"Scrap Reciprocal Tariff Pacts and Policy"

T. C. Tucker
Pacific Rural Press
June 1, 1935

America Can Be Self Contained: Charles A. Beard

"I conjure up in my mind the kind of a land I would have my country become. We have here the most magnificent material endowment ever given to any people with diversities of climate, soil and vegetation sufficient to make us in the main self contained. By developing our economy intelligently with reference to that independence, we can escape the huge burdens of military and naval expenditures necessary to defend trade and investments in all parts of the globe. At a relatively slight cost we can defend our own shores effectively against all foreign foes. Relying upon an economy primarily self supporting we cannot be shaken by the disasters of war or the coming revolt of the subject people of the earth against the arrogance of imperialists. Freed from the dangers and follies of childish adventures in imperialism--an old worn out game appropriate to the youth of the race-- we can develop on this continent a nation dedicated to great humane purposes, the improvement of the common life, the advancement of science and the arts, transforming our cities from industrial slum wastes into gardens of beauty, redeeming the countryside from poverty, disease and superstition, calling upon our dreamers of imagination to conceive, plan and execute magnificent municipal, rural, State and national designs, and inviting our men of war to prepare their scheme of national defense upon the assumptions of such a policy. Such is the prejudice from which I start. Evidently, therefore, agriculture lies at the base of the scheme of economy which, given my prejudices, I deem noblest and worthiest for America."

"Agriculture In the Nations Economy"

Charles A. Beard
Address, Institute of Politics at
Williamstown, August 2, 1927

Do Not Destroy The Home Market: Editorial

"There can be no doubt about the value of foreign trade on those rare occasions when a purchaser can be found for the products of our agriculture, our mines, or our factories, provided he has the money to pay for the commodities

desired. However, it does not seem unkind to suggest that a great deal of the prosperity created when our exports were the largest was a false prosperity, and was made possible only by the extension of huge credits. When it comes to repaying these loans, that seems to be quite a different proposition.

"It is to be expected that, as world conditions improve, foreign trade will somewhat revive. It is not to be expected, however, that any nation will pay cash for anything which it does not need badly. Hence, the hope of profitably expanding our foreign trade is practically limited to working out an exchange of commodities not produced readily in the home country. Unfortunately, most of the countries clamoring for access to our markets through the medium of reciprocal treaties and lower tariffs have for export principally agricultural products with which our home industry amply supplies us.

"In all the discussions about finding outlets for our surplus products, too, much stress is put on the value of foreign outlets, and altogether too little is said about encouraging and developing the home market. Total exports of all movable goods which were the products of our farms, mines, and factories in the banner year 1929 were only 9.8 percent of the production. The domestic market consumed 90.2 percent. Preliminary estimates indicate that for the year 1933 the exports have shrunk to about 6 percent of the total production. Why so much fuss about this loss of 3.8 percent? Why so little concern about the preservation of the world's greatest market - the consumers in the good old U.S.A.?

"Every producer - whether of labor, of the output of mine or factory, or of farm commodities - is likewise a consumer. You cannot rebuild prosperity in this country if foreign trade is expanded at the expense of increased immigration of labor which we do not need, or of products of whatsoever kind with which we are already plentifully supplied. With these limits in view, it is safe to explore every available avenue of stimulating our foreign trade. But the domestic market is, and will continue to be, the one that we should jealously nurture and guard. Tinker with the tariff, if you must; make reciprocal treaties, if no other diplomatic gestures will appease the impatient ambassadors and ministers; but, in so doing, DO NOT DESTROY THE HOME MARKET!

"The Fable of Foreign Trade"

Editorial; The Producer

May, 1934

The Self-Sufficiency Ideal: Walter Lippman

The simplest of all the reasons why men come to desire self-sufficiency is the fear of military encirclement and naval blockade: to be prepared adequately for war is to have all essential supplies under national control and, preferably, within an easily defended strategic area. It is easy to pass from this to the fear of economic aggression. Self-sufficiency, then, appeals to men as a method of protecting themselves against the vicissitudes of international trade: against

imports which disrupt domestic industries and vested interests and established occupations; against tariffs in foreign lands which disrupt industries devoted to export; against embargoes or monopolies abroad which cut off essential supplies or exact exorbitant tribute.

"This does not exhaust the appeal of self-sufficiency. From fear of military and economic aggression men pass gradually to a general sense that the more they are entangled in an international economy the less they are masters of their fate. So they begin to object to the international gold standard of the nineteenth century on the ground that in so far as it stabilized exchanges it unstabilized domestic prices and all economic relationships governed by the price structure. They look upon the international gold standard as a circuit through which the rise and fall of prices communicates itself to all nations within the system of the gold standard. Since this seems to mean that the national economy may be violently upset by forces originating in other lands, they look rather sourly at the international gold standard. From this they pass to distrust of international finance: if they are a creditor people, they are disposed to feel that the national savings should be invested primarily with a view to enhancing the national standard of life, rather than with a view to profit abroad; if they are a debtor people, they are disposed to resent their dependence upon other capitalists, and to feel that foreign capital, though convenient, is a danger to their independence and often humiliating to their pride.

"In the next stage of the evolution of the ideal, men take the view that in so far as their economy is enmeshed with a world economy they are inhibited from experimenting with the possibilities of a more just and more stable social order. If industrial and agricultural prices are fixed in world markets, if domestic costs must compete with foreign costs, if capital can flee from one country and take refuge in another, if the national credit is dependent upon the confidence or lack of confidence of cosmopolitan capital, the reformer and the revolutionist is in chains and hardly dares to act.

"Thus there is a whole spectrum of fears from military blue to revolutionary red which makes men interested in extricating the national economy from the intrusive and the binding forces of interdependence. But fears are not the only motives at work. There are also hopes. In varying degree those who are disposed to the ideal of self-sufficiency believe in the beneficent possibilities of a directed and planned social order. The most perfectly planned society is an army, and planned societies, whether fascist, communist, or state capitalist, all tend to approximate the pattern of military organization: a general staff to do the planning, a hierarchy to command, a rank and file under strict discipline. It is then easy to idealize such an order: to argue that it would transform the civilian into a civic soldier and would endow him with the nobler qualities of the military life: For he would work not for profit but in the service of the state; he would not indulge in the vagaries of his mind but would think the high common thoughts; he would be secure in his status, and the whole of which he was a part would be secure because it was disciplined, and could therefore be directed without the confusion of debate, of divided opinion, of private ambition, and of private greed.

"Thus in the logical evolution of the self-sufficient ideal, men distrust not only extra-national influences but the intra-national anarchy of individualism. They distrust foreigners and they distrust the individuals who compose the mass of men. On the other hand they have an enormous faith in the capacity of some men to govern other men. They believe that some men have the capacity to plan the activities of a whole society and then to direct those activities. Their faith in the capacity of some men to plan rests, of course, on the assumption that all other men will submit to the plan. For nobody honestly believes that planning can be carried out consistently among free men, that is to say among men who have their own plans for their own lives; or that planning, in the full sense of the term, is possible where discussion is free; or that a social order can be managed if those who compose it are not regimented. In a planned society no liberty is tolerable which would delay or hinder the execution of the plans. To manage a whole social order according to a central plan, human behavior must be predictable. The planner must know what men will produce and what they will consume: the only way to make sure of knowing this is to regiment men as producers and ration them as consumers. For you can confidently predict how men will behave only when you have power to order their behavior. Thus a completely planned economy calls for an authoritarian state.

"These, it seems to me, are the broad characteristics of the ideal of self-sufficiency. I do not mean to suggest that everyone who is disposed to embrace the ideal embraces all its implications. I mean merely to indicate the boundaries and the main contours of the land one enters in hoping for autarchy."

"Self-Sufficiency"

Walter Lippman

Foreign Affairs -- January 1934

Economic Nationalism Is Not A Passing Phase: Alvin Hansen

"The current world-wide trend toward economic nationalism or autarchy, the phrase so widely in vogue on the Continent, cannot be regarded as a superficial phenomenon. It is well to recognize at the outset the unmistakable fact that this movement is being carried forward by the swiftly moving stream of fundamental historical forces. The great war swept it, indeed, to abnormal heights from which a very material recession may reasonably be expected. It would, however, be a great mistake to assume, as some have, that the trend toward economic nationalism is merely a passing phase of post-war developments. On the contrary, this tendency is in line with the evolutionary course of modern industrialism. It is the result of the continued spread to all parts of the world of modern techniques of production. It is the backwash of the racial emotionalism of industrially backward nations against the tide of economic imperialism. Eagerly sought by racial or nationalistic ambitions, modern science has brought economic nationalism nearer the point of possible realization."

Report of Director of Research, Alvin H. Hansen
International Economic Relations (Reprints Obtainable)
University of Minnesota Press, 1934

Nationalism Is Not A Bad Thing: Struthers Burt

"Because nationalism is now here at long last in America. An emerged phenomenon. A Fact. Present here as everywhere else, although emerging later than in other countries for the reason that, until five years ago, we thought ourselves rich, and the rich, as always, can afford to be international in a vague and meaningless way.

"Nationalism is here in America as it is everywhere else, and it is-- again whether you like it or not--the most typical portent and problem of this third decade, conditioning, and overshadowing, and underlying everything else, even Communism, for not a month goes by but Russia becomes more nationalistic and less communistic. The question, therefore, it would seem to me, is what are we going to do with it, now that we have it.

* * *

"Nationalism in itself need not necessarily be a bad thing, especially, perhaps, in America.

"Nationalism is a subjective state of mind. At its best, it means properly cultivating your own garden. Moreover, the only possible hope for an intelligent internationalism in the future is an intelligent nationalism in the present. How can it be otherwise? This presents itself as an inescapable and logical sequence. The Socratic advice that a man's first duty is to know himself, applies equally to a nation, and how can real internationalism be expected from self-deceived nations? That it can't, is shown by the fact that we have never so far had anything but a hypocritical and sentimental internationalism. As for the application of this theory to America, it seems to me clear."

"The Avoidance of Being American"

Struthers Burt

Scribner's Magazine

August, 1935

Why Nationalism Would Be Costly: Ryllis Alexander Goslin

"American manufacturers have 1,500 branch factories in all parts of the world. All of our foreign investments amount to more than 13 billion dollars, not counting the war debts. Last year, in spite of the depression, Americans still received 453 million dollars in interest and dividends.

"What will the nationalists do about these American investments abroad? After all, modern industry is built on international rather than national lines. It will not be easy to keep it within our own boundaries.

"The nationalists say that our export trade isn't very important. In 1929 we shipped abroad a little over 10 percent of our total farm production and as much as 50 percent of certain crops.

"In 1929 certain manufacturing industries exported from 10 to 40 percent of their production. The loss of export trade means readjustment in these and all related industries.

"Between 1925 and 1929 about 60 million acres or about one-sixth of our total harvested crop land was devoted to exports. If we did away with these exports, or even a good part of them, we would have to find other uses for this land. Some of it could be used to grow crops which we would otherwise import, providing these could be grown at a cost that was not too great. But the National Resources Board has estimated that this would require at most 15 million acres. Higher living standards might ultimately increase the demand for food and increase the area required, but the changes are that in the near future these additional needs would not occupy more than 2 or 3 million acres per year. This still leaves over 40 million acres of farm land which would not be needed to supply the home market. In the South we would have to take out of production one out of every two acres devoted to cotton, and four out of every ten grown to tobacco. In the Middle West one out of every seven acres of corn and wheat would not be needed.

"It is estimated that 1,120,000 workers on these surplus acres would be unemployed if their crops were not needed for export. It would be difficult to make use of these people in industry. Many of them would be reduced to a kind of subsistence farming which makes for a lower and lower standard of living.

"The nationalists, of course, say that they do not expect to do away with all our agricultural exports. But, if they really want protection for goods "Made in U.S.A.", they must face the fact that out of every thousand acres lost to foreign trade, less than half could be used for our American market.

"In 1929 about 8 percent of the output of our factories was exported, and about 758,000 wage earners and salaried employees were engaged in manufacturing these export goods. In addition, about 170,000 people were employed in transporting products destined directly or indirectly for foreign markets. So we would have to find new jobs for almost one million workers in industry and transportation.

"However, new industries would have to be set up and old ones enlarged to produce goods which we formerly imported. Many goods we now buy abroad cannot easily be manufactured in large quantities by machine. They require much hand labor. This is true, for example, of much jewelry, pottery, scientific and surgical instruments, lace and embroideries, toys and games, cutlery, musical instruments, and numerous other articles. It would be possible to make these goods here, though it would probably cost the consumer much more than before."

"Made in U.S.A."

Ryllis Alexander Goslin

Headline Book No.2

The Foreign Policy Association

1935

Subsidize For Self Sufficiency: Wheeler McMillan

"We are still importing large quantities of soy beans from the Orient. The Subsidy for soy-bean growers, which would be applicable throughout the Corn Belt and the South, should remove the necessity for these imports and serve the additional purpose of promoting more extensive use of a known and well-established soil-building crop.

"We import considerable quantities of starch and starch crops, some from Europe and some from the Malay regions. This subsidy plan could undoubtedly be applied so as to remove this competition until our own starch production becomes able to stand on its own feet.

"If it were deemed desirable to go into self-sufficiency on a large scale, the idea could be applied to the production of sugar cane and sugar beets, artichokes or other sugar crops, in order to replace with home-grown sugar the millions of dollars' worth which now comes from outside the United States.

"Hemp and flax, and perhaps other fiber crops, might be included among those to be subsidized by the government. Tung-oil production, flaxseed, safflower, castor beans and other oil crops could be included for the purpose of attracting our own agricultural energies into fields where we now permit foreign farmers to supply most of our markets."

"A New Plan to Create Farm Wealth," Wheeler McMillan,
Country Home, December 1935.

U.S. Too Large For Self Sufficiency: T. W. Schultz

"With the present capacity and character of agricultural production and with consumers' diets and dress such as they are, the farm plant of the United States is too large for a national self-sufficient economy.

"It is too large for a strict and full adherence to a policy of 'Buy American.' It is too large to operate profitably under America's present policy of maximum restriction on incoming foreign trade. There are too many acres of cotton and corn, wheat and rice, fruit and tobacco for the amount of dollar exchange that foreign buyers can obtain.

"But why assume the existing 'pattern' of agricultural production?

"If more is produced than can be used in this country, why not curtail production instead of exporting?

"Why not reduce agriculture to a national self-sufficient basis?

"The present foreign trade policy of the United States and the programs of the AAA must be considered together.

"Complementary parts of a consistent national policy, both tend toward greater national self-sufficiency. Restrictive in character, both involve taxes

on consumers which fall more heavily on the poor than on the rich. Both tend to subsidize the inefficient and to penalize the efficient producers. Both soon establish special vested interests which lead inevitably to legislative log-rolling and pressure groups. Both will hasten the day when this country will no longer be dependent upon foreign producers and purchasers. They are threads of the same warp and woof--logical counterparts of a policy of economic nationalism.

"After a careful consideration of the full implications of these programs--Hawley-Smoot tariffs and AAA benefit payments--do they point toward the kind of national economic system that American farmers and consumers want?

"If such is the case, then there is little doubt that the present normal 'pattern' of agricultural production must be materially altered; in some crops, radically so, because the existing economic pattern of the agriculture of the United States was developed with a view to world exchange. For a number of years prior to 1930, crop and animal products equivalent to 60 million acres of farm land were not absorbed by the domestic market. Farming areas most dependent upon international trade are, considering both their importance and dependency; the cotton, wheat and corn belts; and, the tobacco and fruit areas, not to mention a number of lesser crops.

"Had there been no AAA reduction programs, the intense, liquidating economic pressure that bore down so ruthlessly on most of American agriculture which ordinarily sells a part of its production abroad, in all probability, would have continued to date, except for those crops cut sharply by the drought. Farm prices of export products dropped much more than did farm prices of other agricultural products. At the beginning of 1933, prices of the first group were about 40 percent of pre-war prices, while farm commodities which are on a domestic or import basis, stood at 80 percent. Accordingly, farm families producing products that are on a world basis suffered considerably more from price and income decline, especially since 1930, when foreign lending stopped, than have those in the sheltered group."

"Vanishing Farm Markets and Our World Trade"

Theodore W. Schultz
World Peace Foundation

No Imports Means No Exports: Henry A. Wallace

"All the experience of creditor nations like our own teaches that there is one way and one way only by which a nation can practice trade exclusion while maintaining its own exports abroad. That way is by absolutely giving away our export products, and that means giving away the soil fertility, the labor and the expense which go into the production of exported products. The device of making uncollectible foreign loans of our own money for the purchase of our own products, no longer conceals the fact that export under these conditions is a gift. Of course, if the people of this country through their multiple decisions to exclude foreign goods determine to take the nationalistic course and if this is ratified by the Congress of this country, then it will be the business of the administration in Washington to shape its policies to this course. If we are to have a whirl at nationalism, let's not deceive ourselves; no imports mean no exports unless we wish to give away our soil fertility and man power. I doubt if we would long continue that. Therefore it is reasonable to assume that self-

containment will mean forcing those lands which have been used to produce wheat, cotton, tobacco and pork for export, into something else. If the exclusion policy should be followed long enough and to a conclusion, ultimately these lands would be used for producing rubber from guayule or goldenrod, and possibly some substitutes for coffee and fruits and vegetables to take the place of the tropical fruits and vegetables which we now import. But for the present and for several years to come, until our farmers could learn the technique of growing these new crops, and of suddenly expanding their production of sugar, I suspect that these lands would go into the production of crops with which our farmers are familiar. That would be certain to mean increased pressure upon dairymen.

"In between the two extremes that I have mentioned there is, of course, a more moderate middle course. This would mean gradually increasing the outlet for our exports through a willingness to accept foreign goods in exchange. I am frank to say I do not know which one of these three courses America will choose. Probably our choice when it comes may not be conclusive or final, for it may be necessary that before world trade can be resumed, the present rise of nationalism will have to run its course. It is quite true that none of the three courses is an easy course; that each one of them has its advantages and its disadvantages. But I think it is important for us to recognize not only the beneficial consequences which will come from one course or the other, but also the price that we must pay for these benefits. I think it is important for us to concede among ourselves that by its very nature the course of exclusion, nationalism and self-containment will simply and inevitably keep us from doing some of the things which if we could we would like to do. So far as foreign trade is concerned, so far as the admission of imports to pay for exports is concerned, we can have our cake or we can eat our cake, but we cannot have our cake and eat it too."

"Consider Domestic Trade First"

Henry A. Wallace

Address Senate Committee, St. Paul

Feb. 14, 1935

Far Reaching Significance Of Imports and Exports: Henry A Wallace

"It is a discouraging fact that we have not yet learned how a mature creditor nation must behave. Five years of depression have not convinced us, apparently, that there is any relationship between foreign trade and national welfare. Individuals, industries, even whole localities and regions whose very life depends upon the restoration of foreign trade, have thus far failed to grasp the true realities of the situation. If they do not become aware of their true interests, the contest will go by default, and it will go one hundred percent against them.

"Foreign trade means bread and butter to millions to people in this country. Relatively few of them seem to realize it. The cotton farmer may know very well that perhaps half his production will be sold abroad, but the railroad employee may not give much thought to the fact that he derives part of his earnings from moving these export and import products. That part of the cargo from our farms, factories, mines and forests which enters into export trade must move by rail, or truck or steamer to one of our port cities and in moving creates employment for thousands of people engaged in transportation, and for

The people engaged in manufacture of transportation equipment, in producing coal or oil, or in selling merchandise to the workers. About 10 percent of the workers of this country are in the transportation and communication business. Moreover, it must be remembered that such cargo, after arrival at the port, furnishes livelihood for clerks in export houses, for stevedores, insurance men and brokers, bankers, sailors and all the other people dependent on shipping. The same can be said of imports. What all this means to our port cities and to transportation agencies, among others, is regularly ignored. On the basis of very rough calculations, I am inclined to think that the aggregate loss of revenue to the railroads alone from the decline of our entire foreign trade during the period since 1929 would amount to at least a billion dollars and probably nearer a billion and a half.

"And there are of course the producers of the things that we export. In 1929 our export industries (including agriculture) employed over 7,000,000 workers out of a total of less than 50,000,000 persons gainfully employed in the United States. It is estimated that no less than two and one-half million persons were engaged in producing goods for export. If one includes the families of such persons, this means that some ten millions of our population were directly dependent for their livelihood upon production for export.

"The loss to the country from this shrinkage of foreign trade has been far greater, I repeat, than most of our people even faintly suspect. In no small degree it has been responsible for the depth and length to which the depression has extended. Yet the fundamental cause of the decline in exports still persists. We are not importing enough goods to enable our foreign customers to buy more from us.

"During the past year the deficiency of imports was made up with gold. Few foreign countries can part with much more without undermining the bases of their currencies. Not only are we faced, therefore, with the possibility of a continuation of exports at the present low level, but we are in real and immediate danger of a still further recession unless steps are taken to make possible greater imports from abroad.

"Nevertheless, the simple fact that if we are to have any exports we must have imports, gets only lip service throughout the country. Minority groups, among whom tariff-protected groups are plentiful, clamor as of old for special favors enabling them to grab a larger share of the national income. Of 177 bills or resolutions involving foreign trade introduced into Congress up to the first of March, only five seemed designed to increase imports while 56 were designed to restrict them even further."

"Foreign Trade as a National Interest"

Henry A. Wallace
New York Forwarder
May 20, 1935

A Proposed International Policy: Economic Relations Commission

"In this post-war world, economic nationalism is being urged not because the peoples of the earth regard this policy as an ideal, such, for example, as the democratic ideal of the late eighteenth and early nineteenth century. Quite the contrary, there are few responsible statesmen who do not deprecate it; they adopt it in response to a deep-seated feeling of insecurity or to the pressure of economic necessity. For most nations economic nationalism is largely a sort of rationalization of sacrifices that must in any event be made. The objectives are not wholly economic but political and cultural as well; economic nationalism is a price that must be paid for pursuing these ideals.

"The fears of nations for their security are partly political, partly economic. In fact, it is often impossible to separate the two and that is why political measures are quite as important for the improvement of international economic relations as are economic measures. The feeling of insecurity abroad in the world is especially significant for America because one of its first expressions is the struggle of many nations to produce at home all the food-stuffs they need. It is one of the main reasons why our agriculture has lost many of its export markets. Some of them can probably never be fully recovered until the world feels more secure politically.

"The liberalizing of trade and intercourse between nations would ease many a political strain. Conversely, the lessening of political friction would smooth the path for economic intercourse. There can be no doubt that the struggle for markets and the worry over sources of raw materials is responsible for much of the feeling of insecurity that finds expression in the race for armaments.

* * * *

"Freer exchange of manufactures and more assured access to raw materials are necessary conditions for the peace of the world in the immediate future. To this we can contribute vastly by making it our declared and considered policy, as suggested in this report, to remove as rapidly as feasible the barriers to trade that we ourselves have erected, by taking immediate first steps in that direction, and by using every legitimate means at our command to induce others to remove their barriers.

"The United States is in a more favorable position than perhaps any other nation to contribute to the restoration of confidence and the creation of a feeling of political security. Fortunately, the present administration has already taken first steps in this direction through the declarations of Secretary Cordell Hull at Montevideo, through the withdrawal of marines from Haiti, and through the repeal of the Platt Amendment. This policy should be enlarged and made permanent. We should go a step further and make the unilateral declaration that the United States renounces any policy of economic penetration; that the flag shall not follow the dollar.

"Among the first acts of the new Congress to convene in January should be the making of the appropriation necessary to complete membership in the International Labor Organization, an autonomous body for the improvement of the condition of

laborers throughout the world. In becoming a member the United States commits itself to nothing so far as the League or the peace treaties are concerned. The scope of the Organization is limited to those problems affecting labor which nations have in common. 'It is not a substitute for domestic legislation, but, on the contrary, grows out of it. It does not interfere with the normal processes of lawmaking but only seeks to make them more effective by raising the common standard of the conditions of life, so that those nations which lead the world in social reform may not be placed at an undue disadvantage by those which compete with them by the exploitation of their labor.' (J. T. Shotwell, "Origins of the International Labor Organization.")

"The United States should continue participation in the Disarmament Conference and cooperate with the League of Nations in such of its activities as cannot involve us in European conflicts. On this last point there is widespread misunderstanding abroad. Europeans generally fail to recognize that the people of the United States will not permit the country to enter into any agreements which would commit America to entering into European clashes. No American statesman could long remain in public life who took any other position. This is a fixed idea of the American people which must be taken for granted in any matter involving the foreign relations of the United States.

"We recommend adherence to the World Court. The idea of such a court is an historic part of American policy, and participation under the Root reservations can be undertaken without reasonable objection. In view of the fact that both great parties are pledged by their platforms to such action, there should be little room for hesitancy or controversy. Ratification is now in large part a matter of good faith between our own political leaders and the people who elected them. It would also remove the bewilderment and uncertainty, amounting almost to mistrust, among other peoples about American policy and make clearer to the rest of the world the lines along which we are ready to cooperate in world affairs.

"The Johnson Act forbidding loans to countries in default should be repealed. If this law was designed to exert pressure on defaulting governments to make them pay, it has failed. If it was designed to protect American lenders from their own folly, it is ill-advised. The Johnson Act has done and is doing serious damage. It has created a great deal of ill-will abroad without accomplishing anything beneficial at home, and this ill-will has reinforced the determination of many nations to discriminate against American trade. In addition, the Johnson Act makes it impossible to lend to foreign governments for refunding when this might be in the interest of American nationals, and it prevents Americans from loaning funds to some financially strong foreign governments even though this may be to America's advantage. In other words, it prevents Americans from dealing as effectively with foreign governments indebted to them as they do with domestic private debtors. The Johnson Act can serve no useful purpose.

"Finally, the war debts should be settled at once. Nothing is more important for not merely are these debts the point from which much of the ill-will and friction between America and other nations start but they also clog the channels of international trade and are therefore a serious obstacle to world recovery

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"The Commission is convinced that none of these measures will endanger the United States economically or politically. On the contrary, they will contribute to national security and to the restoration of our trade with the rest of the world. In default of resort to some or all of the measures mentioned, the world will have no confidence in other more distinctly economic policies we may adopt, and the consequences of any immediate economic steps that may be taken will be small.

Report of Economic Commission
International Economic Relations. (Reprints Obtainable)
University of Minnesota Press, Minneapolis, Minn.

Twenty Economists Suggest: Editorial, Journal of Commerce

"Twenty leading economists of the United States have addressed an open letter to President (elect) Roosevelt, urging a lowering of tariffs on manufactured imports, a prompt settlement of interallied debts, and cooperation on our part to encourage and facilitate the return to gold standard abroad. This three point program is endorsed by a group of men who are recognized exponents of liberal economic thought and leaders in the educational field. Many of them have occupied positions of responsibility in the government service, and others have acted in various advisory capacities in public and private employment.

"These economists certainly cannot be accused of being theoretical visionaries or impractical idealists prepared to sacrifice the material interest of their own country for the sake of other nations. Nevertheless, they emphasize the importance of foreign trade, and assert that the United States is suffering from the lack of adequate export markets. To that lack they attribute the ruinously low ruling for our agricultural products and our raw materials and the resultant unbalance between the prices of such export commodities and the cost of manufactured articles.

"Instead of believing that every dollar's worth of foreign goods admitted into the United States means a dollar less in work and wages for an American, these experts think that increased imports will have precisely the contrary effect of creating a demand for our agricultural exports from countries which cannot buy our goods unless we are willing to take in exchange the articles that they have to sell."

Editorial
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